



weber
shandwick
engaging, always.

Return to Power?

Labour's plan for government



THIS IS NOT A LABOUR PARTY PUBLICATION



Contents



Introduction	5
Engaging with the Party	6
How does Labour Generate Policy?	8
Key Players	10
Policy Themes	12
Policy Timeline	18
Key Policy Documents	20
Key Commitments	21
The Team	23



This document examines what a Labour government in 2015 might look like and how the policies they are currently developing will affect business. It aims to provide you with an informed analysis of Labour policy, an understanding of the policy making process and an overview of the key policy commitments Labour have made.



Introduction

Quite what a returning Labour Government would look like is starting to take shape. And it all begins with an economic approach. Put simply, Labour is rejecting what it sees as the Conservatives' ideological objective of reducing the size and scope of the state while trying to demonstrate fiscal responsibility and avoiding a return to the tax-and-spend rhetoric that held it back during the 1980s.

Jon Cruddas, MP for Dagenham and Rainham, who is leading the Party's Policy Review, has said that "it will be centred on big reforms which do not mean increased expenditure".

In Milton Keynes in July 2014, members of the National Policy Forum (the policy-making system of the Labour Party made up of party members, affiliated bodies and Shadow Cabinet members) voted in favour of the leadership's plan to maintain the Coalition's limits for operational spending in the first year of the current Parliament. Crucially, however, this does not necessarily apply to capital investment. Critics have, inevitably, accused Labour of trying to have its cake and eat it.

So what does this say about Labour's approach to the economic size of the state post-2015? It means that the leadership has stood firm in standing up to the unions on public sector pay. It means that a Labour Government will continue to strive for efficiencies in the public sector. The exemption of capital expenditure or expenditure beyond 2015/16 leaves some room for the sorts of major investment Labour was pushing very hard for at the start of this Parliament.

The agenda being set out by Ed Miliband is predicated on an outright Labour victory. Given Labour's small, fragile lead in the polls, there is a very real possibility that Labour could be returned as the largest party in a hung Parliament. The media has speculated that Lord Adonis held talks with the Liberal Democrats in April to find common ground on policy. The parties have similar views on issues such as the 'bedroom tax', mansion tax and Europe but areas such as education and the Health and Social Care Act are less clear. However, Labour may be forced to find more commonality with the Liberal Democrats in the future in order to strengthen the social-democratic agenda.

Meanwhile, the challenge for Labour over the coming months is to demonstrate that business should not fear a Labour Government. The party has promised that a future Labour Government would be serious about responsibility on the side of business matched with responsibility on the side of government but it needs to ensure this message is heard.

Engaging with the Party



This is a party hungry for ideas; it has received over 200,000 policy submissions to the NPF over the past four years. The whole policy review process has been thorough and demonstrated a genuine desire from the party to bring in outside expertise to think differently and create innovative policy solutions. Whilst the Conservatives have tried to pin an 'anti-business' tag on them, the Labour Party is working hard to show they are committed to engagement.



As Shadow Business, Innovation and Skills Minister, Toby Perkins MP, told Weber Shandwick:

"Labour is working hard to integrate the ideas of business into our policy-making processes.

All of our Shadow Business Team are continuously out across the country speaking to businesses about their needs. We set up an entrepreneurs' network - NG: Next Generation - to support and showcase the best of British innovation, and inspirational business leaders. Our Shadow Secretary of State, Chuka Umunna, helped to introduce Small Business Saturday to the UK for the first time last year, bringing a £460m boost to British small businesses.

I have visited every region of England to host a small business consultation, and set up a Labour Councillors Business Network (LCBN) to help Councillors interact with their local economies.

Our Labour Small Business Taskforce Report, produced by a team of independent business people, was packed with radical recommendations - such as growing a new generation of local banks to break open broken lending markets - which are now Party policy. We also have an independent team of experts who are advising on our approach to high streets.

Moreover, we have more people with a business and entrepreneurial backgrounds standing for Labour in 2015, including key seats in Reading (Victoria Groulef), Stafford (Kate Godfrey) and Bury (James Frith).

We also recognise the importance of working with big business on the key issues which will make our future. Jaguar Land Rover's Executive Director Mike Wright is leading a review for us on strengthening manufacturing supply chains; and Sir George Cox has completed a report tackling short-termism."

"Our Labour Small Business Taskforce Report, produced by a team of independent business people, was packed with radical recommendations."



How does Labour generate policy?



As part of its Agenda 2015, Labour's policy development process, the Party has used several approaches in order to provide all Party members, Constituency Labour Parties, affiliates and Labour's elected representatives with the opportunity to discuss and develop the ideas that will inform Labour's manifesto. External stakeholders, including business, the voluntary sector and the wider community, have also had the opportunity to provide input.

Policy Commissions

Labour's eight policy commissions, established in 2010, were tasked with carrying out detailed work to develop the Party's ideas within their specialist areas. They have met regularly to consider the submissions made through **Your Britain** (Labour's online policy hub) and to hear evidence from experts.

The membership of each of Labour's policy commissions is drawn from Labour's National Policy Forum, the Shadow Cabinet and the Party's National Executive Committee.

The eight policy commissions are:

Economy:

- Stability and Prosperity Policy Commission
- Work and Business Policy Commission
- Living Standards and Sustainability Policy Commission

Society:

- Stronger, Safer Communities Policy Commission
- Education and Children Policy Commission
- Health and Care Policy Commission

Politics:

- Better Politics Policy Commission

International:

- Britain's Global Role Policy Commission

The Policy Commissions are responsible for drafting the policy documents found on Your Britain, which will form the basis of the policy discussions at Labour Party conference and inform the Party's manifesto.

Your Britain

Your Britain is Labour's online policy hub which provides members of the public and Labour Party members with the opportunity to contribute to the policy making process. Policy papers published by the NPF, policy commissions and by the Policy Review are also available here. Over 1800 submissions have been received through the Your Britain website since its launch in November 2012.

Shadow Cabinet

Through the Policy Review, Labour's Shadow Cabinet team is examining policies which will inform Labour's manifesto for 2015. This will feed into the Agenda 2015 alongside the work of the NPF, Policy Commissions and the submissions received through Your Britain.

National Policy Forum (NPF)

The NPF is an umbrella organisation bringing together around 200 representatives from key sections of the Party including the Constituency Labour Parties, elected councillors, trade union officials, Labour societies, MPs and MEPs. The NPF, chaired by Angela Eagle MP with input from Jon Cruddas MP, met to discuss the submissions made to the Policy Review in July 2014 and publishes its final report in time for Conference in September 2014. This report will be the culmination of the work carried out by the NPF and policy commissions since 2010 and includes submissions made through Labour's Your Britain website.

The meeting is not held in public so the full details of what was agreed will only be available when the report is published. We do, however, know some of the key outcomes.

Despite one delegate forcing a vote to make the leadership abandon the Coalition's spending plans, the Forum has agreed to the Miliband-Balls proposal to adhere to the Coalition's budget for the first year of the next Parliament. Crucially, though, this only applied to operational expenditure, not capital expenditure. Balls has also pledged that committed spending in the manifesto will be underpinned by major reform of public services, a notion that Jon Cruddas described as demonstrating real maturity.

Conference 2014

Labour returns to Manchester where it holds 95 of the 96 city council seats and 22 of the 27 Parliamentary seats. Labour conference provides members with the opportunity to influence the manifesto, although it is debatable how deep this influence goes. The NPF will present its recommendations and delegates are then able to attend seminars and discuss them in detail. The conference will then vote on the policy programme which then will be taken forward and incorporated in the manifesto.

"Over 1800 submissions have been received through the Your Britain website since its launch in November 2012."

Key Players



Ed Miliband MP
Party Leader

Elected Leader in 2010 on the back of support from the trade unions. Miliband has tried to distance himself from photo-op politics, painting himself as a substantive, ideas-led and decent politician.

Ed Balls MP
Shadow Chancellor

Miliband and Balls' relationship goes back to the days of the Brown Treasury, where they were both Special Advisers, before entering Parliament in 2005. In his bitter disputes with George Osborne, Balls is frequently accused of economic irresponsibility, and his links with pre-recession fiscal policy are often used as attack lines by the Chancellor.

Angela Eagle MP
Chair of the National Policy Forum and Shadow Leader of the House of Commons

Broadly to the left of the Party, Eagle has held a number of jobs both in government and opposition. She has called for "iron financial discipline which recognises that we don't need to spend more to build the Britain we want to see".



Jon Cruddas MP
Chair of the Policy Review

A political maverick and free-thinker, Cruddas' political position can be hard to isolate. Sometimes thought of as on the left, the former Blair aide found solace in a partnership with arch-Blairite, James Purnell, in 2009. Now, he is more commonly associated with the socially conservative, and even traditional values of 'blue Labour'.

Tortsten Bell
Strategist

Bell is tasked with marshalling the policy review process, working closely with Cruddas. A former advisor to Alistair Darling and Chief Economic Advisor to Ed Miliband, he is respected for his intellectual capability.

Douglas Alexander MP
Chair of General Election Strategy and Shadow Foreign Secretary

The Campaign Manager for David Miliband, Alexander has oversight of the election campaign, supported by his three deputies, Jon Ashworth MP (liaising with candidates), Gloria De Piero MP (broadcast) and Toby Perkins MP (liaising with the Parliamentary Labour Party). He is also supported on election communications by Michael Dugher MP.



David Axelrod
Campaign Strategist

Drafted in from the USA with the aim of bringing the same insight and media approach he brought to both of Obama's presidential campaign. Axelrod will help to shape the core proposition of a Miliband premiership, and has said that he will particularly focus on communicating how Labour will "create broad prosperity and opportunity".



Chuka Umunna MP
Shadow Business Secretary

The cerebral and eloquent MP for Streatham was an early supporter of Ed Miliband and is considered a future leader himself. He plays an instrumental role in developing the Party's responsible business and economic policy.

Jeff Masters
Advisor to Chuka Umunna MP

Masters is a former policy advisor at the Cabinet Office and HM Treasury as well as working on the RSA's 2020 Public Services Project. His role is to formulate ideas on how government can foster innovation within business organisations.

Policy Themes



Tax and spend

Labour is committed to reform of the tax system, with the return of the lower 10p income tax rate, paid for by a 'mansion tax' on properties worth over £2m. Labour has criticised the Coalition's cut in the top rate of tax, reduced from 50p to 45p, but has not yet explicitly promised to increase it. The commitment to stick to the Coalition's operational expenditure for the first year of government, however, will make this a challenge.

Labour has long campaigned on the notion that the recovery has been fuelled by a narrow service sector and not enough emphasis has been put on creating high-tech jobs. The low-carbon economy, in particular, is an area where it feels the potential is, as of yet, not fully tapped. The Green Investment Bank will be expanded and given borrowing powers, with a view to creating 400,000 additional jobs by 2020.

In a strong signal that it doesn't want to be seen as soft on welfare, each spending review will set a cap on structural social security spending. The so-called 'bedroom tax' is a redline issue for the Party, however, and Ed Miliband has used it as a way to paint the Coalition as attacking the vulnerable. Miliband has categorically declared that he will unpick the reforms with "no ifs or buts".

Every General Election campaign contains accusations from one side to the others that their plans are not properly costed and this one will be no different. Labour has said that it will ask the Office of Budget Responsibility to audit its manifesto so it better be sure that its sums add up, although it is unlikely this will be agreed to in time for the 2015 election.



"Labour has not been shy in talking tough on markets that it perceives as failing."

"Miliband has categorically declared that he will unpick the 'bedroom tax' reforms with "no ifs or buts."

Regulation and industrial growth

Unsurprisingly, reform of the banking sector is already a major part of Labour's approach to the 2015 General Election. One of the centre pieces of 'One Nation banking' is the real separation of "casino" or investment banking from high street banking, complemented by a change in culture across the industry. In one of its most interventionist policies, Labour has committed to repeating the Bankers' Bonus Levy in order to fund a compulsory jobs guarantee for young people out of work for more than a year. A similar scheme will also be brought in for those older than 25 who have been out of work for more than two years.

Labour has not been shy in talking tough on markets that it perceives as failing. Chuka Umunna has said that he would seek the guidance of the Competition and Markets Authority to determine a cap on the market share any bank could have. The policy, however, puts him at odds with Governor of the Bank of England, Mark Carney, who has suggested that simply breaking up banks to reduce market share does not necessarily foster a more competitive market. By speaking out against Pfizer's takeover of AstraZeneca, Umunna demonstrated that he was not afraid to stand up to the perceived threat of big business when he feels it does not deliver long-term interests of British jobs and industry.

In one of his most defining market interventions, the 2013 conference in Brighton saw Miliband announce the freeze on energy prices 2017. Over the long-term, the Party promises tough and far-reaching reforms of the energy market. In a key move, a Labour government would legislate to force companies to separate their supply and generation businesses, and Ofgem would be abolished and replaced with a far tougher regulator with power to force suppliers to pass on cuts to consumers where it identifies market failure. The current Labour administration is known to be close to the consumer lobby, in particular Which?, leading to some speculation that Richard Lloyd, the organisation's Executive Director, will be given a place in the House of Lords to take a role in a government at Minister for Consumers.



The Labour Party has looked overseas to model elements of its industrial policy. Borrowing from Singapore, Germany and USA, Labour will establish a British Investment Bank to finance SMEs. Additionally, among the recommendations of the Small Business Taskforce (led by Bill Thomas, former Senior Vice President of Hewlett Packard) that the Party has accepted, is the creation of a network of regional banks (banks that only lend to businesses within a defined geographic area), aiming to bring the decisions to grant access to business finance closer to a local level. Business rates for SMEs will be cut and then frozen, although this comes at the expense of scrapping the Coalition's cut in corporation tax for large businesses. Looking slightly more widely, Labour will abolish quarterly reporting, which it feels exacerbates the focus on short-term profits and will place duties on shareholders to act in the interest of long-term growth and ordinary savers.

Miliband and his team have promised to get tough on what they see as excessive executive pay and are seeking to enact policy that brings more transparency to the way business operates. Proposed measures include forcing companies to publish the ratio of top executives to the average staff salary, placing an employee representative on the remuneration committee and simplifying salary and bonus structures. At the other end of the spectrum, controversial zero-hours contracts will be abolished and maximum fines will be increased to £50,000 for those found to be paying less than minimum wage. The Party also has a range of measures to support the Living Wage, including forcing companies to declare whether they pay it and including it as an assessment criterion in public procurement. Free childcare for three and four year olds will also be extended from 15 to 25 hours per week, funded by the levy on bankers' bonuses.

– course, we mustn't forget the giant elephant in the room of Europe. While the debate about EU membership is often dominated by immigration, it has a number of very real and significant issues for industrial policy in the UK. Ed Miliband's current position is that a referendum would only be offered if there is a proposed transfer of significant powers to Brussels, which the Party acknowledges is "unlikely" in the next Parliament. However, given that the UKIP juggernaut shows no signs of slowing down and that David Cameron is clear on his commitment to a referendum in the next Parliament, Labour may find holding this line an electoral liability.

In a recent letter to local authorities, Hillary Benn MP outlined a number of measures to give greater financial autonomy to councils. This includes control of over £1.5 billion of funding for further education, a move towards single commissioning budgets for health and social care, and enabling combined authorities to retain 100% of business rates. Additionally, ambitious authorities would be able to negotiate further transfer of powers in areas such as crime, the work programme and health.

Local authorities' powers over planning will be strengthened, in particular with the introduction of new "use it or lose it" rules over land-banking by which they can charge escalating fees over land that is held back for development. They will also be able to create a new 'umbrella use class' to help them better determine the shops they want to see on the high street.



"Business rates for SMEs will be cut and then frozen, although this comes at the expense of scrapping the Coalition's cut in corporation tax for large businesses."

**Public services**

People power and information will be at the heart of Labour's changes to public services, the Party says. Parents will get a greater say on improving standards in schools and patients will be able to input on proposals to change the provision of health services. The public will also be given greater access to tracking data on the services they use, as well as access to real-time data on the performance of schools.

Similarly to David Cameron and Andrew Lansley in the run up to 2010, Miliband and Burnham have promised there will be no major top-down reorganisation of the NHS. That said, Burnham has also committed to repealing section 75 of the Health and Social Care Act, which forces commissioning groups to put services out to tender and established Monitor, the NHS competition regulator. He has suggested that this has led to millions wasted in competition lawyers' fees which he believes could be spent on frontline services. Burnham has campaigned on the principle that the Coalition's Act has created a two-tier system, often citing the outsourcing of cancer care as evidence for this.

"Miliband and Burnham have promised there will be no major top-down reorganisation of the NHS. That said, Burnham has also committed to repealing section 75 of the Health and Social Care Act."



Labour has sometimes found itself ideologically confused over free schools. It has now settled on a policy of closing the poor performing ones but allowing those that are achieving success to stay open. It will encourage 'parent-led academies' in areas where demand allows but has made clear these will be subject to greater oversight from Ofsted. In a major reorganisation, a new, undefined as of yet, 'middle tier' will be brought in to sit between Whitehall and schools to oversee standards; parents will be given the power to call in an intervention from this body if they demand.

The party has also made a strong commitment to vocational training, with the introduction of a 'Technical Baccalaureate'. However, English and Maths will be made compulsory up to the age of 18, signalling that the Party recognises the role of more traditional education.

Apprenticeship will also get higher prioritisation as Labour will look to provide greater skills funding for the private sector companies who boost their apprentice intake, as well as making it a positive criterion in the assessment of government contracts.

Ed Miliband didn't achieve the headlines he wanted when he announced that a Labour government would allow the public sector, as well as mutuals, to bid for rail franchises when private contracts expire.

Of course, the Conservatives were quick to paint a picture of 'Red Ed' renationalising all of our industry and drawing comparisons between the current leader and former Labour Party leader Michael Foot, whose 1983 manifesto called for mass nationalisation of British industry. Shadow Transport Secretary, Mary Creagh has said that it was the renationalisation of the East Coast line that gave her the "intellectual and operational self-confidence" to think it was a workable policy, pointing to Germany, France, the Netherlands and Hong Kong who all have state-run services.

Of course, these contracts would have to be run by an arm's length body to avoid the competition issues that arise from the DfT's role in awarding contracts. Linking back to Labour's cost of living argument, the Party has also committed to abolish the flex rule that allows train operators to peg fare rises to inflation rates plus 1%, pointing out that train fares have risen nearly four times faster than wages and more than 25% under the Coalition Government. Labour has also pledged to create the legal right for passengers to be sold the cheapest fare available for their journey, after rail regulators revealed that passengers often pay over the odds. Ultimately, Labour's transport policy will tie back to its key message of cost the living. Affordability will be the number one priority and the Party is willing to consider non-private operators and regulation of fares to achieve this aim.



"Ultimately, Labour's transport policy will tie back to its key message of cost the living. Affordability will be the number one priority and the Party is willing to consider non-private operators and regulation of fares to achieve this aim."

Policy Timeline

6 MARCH 2014



Consultation opened.

13 JUNE 2014



Deadline for CLPs to submit amendments.

27-29 JUNE 2014



NPF representatives considered which amendments to take forward.

18-20 JULY 2014



NPF meeting: amendments brought forward discussed and settled, final year document agreed.

SEPT 2014



Annual Conference votes on policy programme.

SPRING 2015



Manifesto agreed at a "Clause V" meeting.

Key Policy Documents



Labour has published final year policy consultation documents in the following key areas:

Stability and Prosperity, covering:

- Cost of living
- Long-termism
- Growth
- Banking and financial services
- Taxation
- Fair deficit reduction

Work and Business, covering:

- Industrial strategy
- Support for business and SMEs
- Skills
- Social security and jobs

Living Standards and Sustainability, covering:

- Transport
- Energy
- Water
- Ensuring long-term sustainability
- Supporting rural communities
- Food safety and standards
- Animal welfare
- The natural environment

Stronger, Safer Communities, covering:

- Housing
- Local Government
- Crime and policing
- Criminal justice
- Immigration
- Culture, media and sport

Education and Children, covering:

- High standards in schools and colleges
- Apprenticeships and Higher Education
- Children and families

Health and Care, covering:

- Whole-person care
- The future of social care
- Public health
- Mental health
- The health and care workforce

Better Politics, covering:

- One Nation politics
- Political reform
- Devolution
- Equalities

Britain's Global Role, covering:

- The global economy
- Security
- Defence
- Diplomacy
- International Development

Additionally, the Party has published a number of documents highlighting key talking points from different sections of the Policy Review so far, and containing details of some of the challenges identified and innovative ideas that might help to tackle them.

See www.yourbritain.org.uk for more information.

Key Commitments



- Reforming tax system, with return of 10p tax rate
- Introduction of 'mansion tax' on properties worth over £2m
- Expansion of Green Investment Bank with additional borrowing powers, with view to creating 400,000 new jobs by 2020
- Repeal of 'bedroom tax'
- Separation of investment banking from retail banking and change of culture in banking industry
- Repeating Bankers' Bonus Levy
- Compulsory jobs guarantee for young people out of work for more than a year
- Compulsory jobs guarantee for people over 25 out of work for more than two years
- Freeze on energy prices
- Separation of supply and generation parts of energy businesses
- Abolition of Ofgem and replacement with a tougher regulator with power to force suppliers to pass on cuts to consumers
- Establishment of British Investment Bank to finance SMEs
- Creation of network of regional banks to provide business finance at a local level
- Abolition of quarterly financial reporting
- Forcing companies to publish ratio of top executives' to average staff salary, including an employee representative on remuneration committees and simplifying salary and bonus structures
- Abolition of zero-hours contracts and maximum fines of £50,000 introduced for those found to be paying less than the minimum wage
- Measures to support the Living Wage including forcing companies to declare whether they pay it, and making this an assessment criterion in public procurement
- Free childcare for three and four year olds to be extended from 15 to 25 hours per week
- A referendum on EU membership in the event of a proposed transfer of significant powers to Brussels
- Giving local authorities control of over £1.5 billion of funding for further education, a move towards single commissioning budgets for health and social care, and enabling combined authorities to retain 100% of business rates
- Strengthening of local authorities' powers over planning, including introduction of 'use it or lose it' rules over land-banking
- Creation of new 'umbrella use class' to prevent changes to and from particular retail uses of shops on the high street



- Giving parents a greater say on improving standards in schools
- Giving patients the ability to provide input to proposals to change the provision of health services
- Giving the public greater access to tracking data on the services they use, as well as real-time data on the performance of schools
- Repeal of Section 75 of the Health and Social Care Act which forces commissioning groups to put services out to tender and established Monitor, the NHS Competition Regulator
- Commitment to close poorly performing free schools but allow 'parent-led academies' to remain in areas where demand allows, albeit under greater Ofsted scrutiny
- Introduction of a new, as yet undefined, 'middle tier' that will sit in between Whitehall and schools to oversee standards
- Introduction of 'Technical Bacculaureate'
- Making English and Maths compulsory until 18
- Introduction of greater skills funding for private companies who boost their apprenticeship intake and including this as a criterion in public procurement
- Allowing the public sector and mutual to bid for rail franchises when private contracts expire
- Abolition of the flex rule that allows train operators to peg fare rises to inflation rates plus 1%
- Creating the legal right for passengers to be sold the cheapest fare available for their journey



The Team

Jon McLeod Chairman, Corporate, Financial & Public Affairs, UK

Simon Pugh Senior Account Director

Emma Pointer Senior Account Manager

With thanks to **Toby Perkins MP** for his contribution.



For further information please contact:

Jon Mcleod
Chairman

Corporate, Financial & Public Affairs
International Corporate Communications

jmcleod@webershandwick.com
07775 530 978

webershandwick.co.uk



weber
shandwick
engaging. always.